

Memorandum

To: CHAIR AND MEMBERS
Airspace Advisory Committee

Date: September 30, 2001

File No. 04-Ala-880

Location: Wood Street west of
W. Grand Avenue

From: DEPARTMENT OF TRANSPORTATION - District 4 R/W Division

Subject: REQUEST FOR APPROVAL OF DIRECT NEGOTIATIONS WITH HOLLIDAY
DEVELOPMENT, L.L.C. FOR LONG-TERM AIRSPACE LEASE

RECOMMENDATION:

District 4, Right of Way Airspace Branch recommends that the Airspace Advisory Committee approve direct negotiations for a 10-year lease with options to extend for 4 additional 10-year terms with Holliday Development, LLC.

The subject property is an empty lot adjacent to Wood Street west of W. Grand Avenue in West Oakland, under the Ala-880 overhead structure, totaling 14.82 acres. Holliday Development is proposing to develop the lot into a surface parking facility for its planned development directly adjacent and east of the subject parcel. [See Exhibit A—Large Conceptual Parking Lot Design] The only adjacent property owner along the entire eastern side of the proposed lease area is Central Station Land, LLC for which Mr. Holliday is the managing member. The western boundary is defined by numerous railroad tracks owned by Union Pacific and Burlington Northern Santa Fe. The State owns the adjacent parcels to the north and south. [See Exhibit B—Aerial Photo]

Currently, this West Oakland neighborhood is gentrified and economically stagnant. It supports a mix of older residential housing stock, some commercial warehousing, and light industrial business. The City of Oakland is highly supportive of the Holliday development, as it will provide an economic boost to a currently economically disadvantaged area of Oakland. [See Exhibit C—Letter from City of Oakland]

Across the multiple rail tracks west of the subject parcel is the now inactive Oakland Army Base. The City of Oakland has slated the base for redevelopment over the next 10-15 years as commercial space. Although the future Army Base development will further revitalize West Oakland, the subject State parcel will not directly benefit as it is physically separated by the aforementioned numerous rail tracks and the overhead Ala-880 freeway structure and cannot be readily used as parking for the future Base development. Notwithstanding this obstacle, the Port of Oakland has represented to District 4 Right of Way that it intends to propose a lease for another State owned 7-acre parcel directly north and adjacent to the subject parcel to be used as overflow parking for the Army Base development. Right of Way has notified the Port of Oakland that it must submit a proposal within the next 6 months; otherwise, the State would negotiate with Holliday for an option to lease this property also.

It is in the State's best interest to negotiate this lease directly with Holliday due to the severe limitation of access to the subject State property, as this property is landlocked to any other party. Due to the access limitations, in all probability, the State property would not be leased to any other party. Furthermore, there has also been no other interest by show of proposal to lease the State's parcel over the past 8 years since the overhead structure has been built.

BACKGROUND:

Holliday Development is a small real estate development company specializing in urban, in-fill development and adaptive re-use. The company was founded in 1988 and is headquartered in the City of Emeryville, California. The company's portfolio consists of over 800 housing units and includes a number of rehabilitations and other major local developments. [See Exhibit D—Holliday Development Resume]

Holliday Development, LLC, through Central Station Land, LLC, is the purchaser of the historic West Oakland Southern Pacific Train Station site consisting of approximately 23 acres, which extends along Wood Street between 12th and 20th Streets, and is adjacent to the subject State parcel. Holliday has planned a commercial/residential development on their parcel adjacent to the historic terminal, and a renovation and adaptive re-use of the historic train station itself—thus saving from further deterioration this City-designated historic landmark building. Preliminary planning to save the station and to otherwise develop the Central Station lands indicates the need for extensive parking; possible location for equipment (emergency generators) and the balance kept aside as open space for recreational use. No construction of any occupied structures is planned on the State owned property.

While the subject parcel is currently under Union Pacific Railroad ownership, the State does have an aerial easement and is in the process of acquiring fee ownership from Union Pacific Railroad. Acquisition of a full fee interest by the State is expected within the next six months to one year. However, Holliday Development plans its first development activity as soon as Spring, 2002, and cannot proceed without securing an interest in the subject parcel which will provide the parking required for the adjacent development. Therefore, Holliday proposes to secure an option to lease commitment with the State at this time (conditioned upon the State acquiring fee ownership from Union Pacific), and to negotiate lease terms that will take effect upon the transfer of fee ownership.

SUMMARY:

The optimum return from the State's parcel would be realized through a direct lease with the proponent because of the planned increased commercial activity on Holliday's adjoining site. The City of Oakland through the City Manager, Mr. Robert Bobb, supports the proposed development and has indicated the City's support in a letter to the department in January of this year. Direct negotiation would be determined by a fair market value appraisal, considering the highest and best use of the property.

CLOSING:

District 4 Right of Way requests permission to negotiate an option to lease agreement directly with Holliday Development for the subject 14.82 acre property and, if the Port of Oakland shows no interest, also for the adjoining 7 acre property, so that a lease may be executed as soon as Caltrans obtains fee title in the property.

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Right of Way Airspace Development

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District Office Chief
Right of Way Property Management

Attachments: Exhibits "A" - "D"